

BANK INDONESIA

No. 2/3/ DPNP

Jakarta, January 26, 2000

CIRCULAR LETTER

to

ALL COMMERCIAL BANKS
IN INDONESIA

Subject: Scoring Procedure for the Fit and Proper Test

With the issuance of Bank Indonesia Regulation Number 2/1/ PBI/2000 dated January 14, 2000, concerning the Fit and Proper Test, it is necessary to stipulate the regulations for implementation of this Bank Indonesia Regulation.

I. SCORING PROCEDURE

The final score for the Fit and Proper Test shall be determined according to the following procedure:

A. Integrity factors

1. Scoring of integrity factors:

- a. window dressing and banking irregularities shall be assigned a score of 20 (twenty);
- b. actions that may be construed as failure to honor an agreed commitment with Bank Indonesia and/or the Government shall be assigned a score of 20 (twenty);
- c. actions in which the Management, Bank Employees, and/or other parties may derive personal gain, which may incur losses or foregone profits for the Bank shall be assigned a score of 15 (fifteen);
- d. actions that may be construed as violations of prudential banking regulations shall be assigned a score of 10 (ten);
- e. actions by the Management and Executive Officers that may be construed as lacking independence shall be assigned a score of 5 (five).

2. Determination of individual bearing on integrity factors:
 - a. officers in positions of authority, decision makers, proponents, or persons assuming legal liability shall be assigned a weighting of 100% (one hundred percent);
 - b. persons carrying out orders, co-signatories, or parties giving approval shall be assigned a weighting of 60% (sixty percent);
 - c. parties merely informed of actions shall be assigned a weighting of 25% (twenty five percent).
3. The final score for integrity factors shall be determined after multiplying the scores for factors as referred to in letter A.1. by individual weighting as referred to in letter A.2.

B. Competence factors

Scoring of competence factors:

- a. knowledge of banking shall be assigned a score of not more than 4 (four);
- b. experience and expertise in banking and/or financial institutions shall be assigned a score of not more than 4 (four);
- c. capacity for strategic management within the framework of the development of a sound bank shall be assigned a score of not more than 4 (four).

Scoring of competence factors shall be based on the following scale

- a. good shall be assigned a score of 0 (zero);
- b. sub-standard shall be assigned a score of 2 (two);
- c. poor shall be assigned a score of 4 (four).

C. Final Score

The final score for the Fit and Proper Test shall be determined by adding the score for integrity factors as referred to in letter A.3. to the score for competence factors as referred to in letter B.

Based on the final score as referred to in letter C, Controlling Shareholders, Management and/or Executive Officers shall be graded as follows:

- a. passing grade if the final score is 0 (zero);
- b. qualified passing grade if the final score ranges from 1 (one) to 19 (nineteen);
- c. failing grade if the final score is 20 (twenty) or more.

II. PROCEDURE FOR RESIGNATION OF MANAGEMENT OR EXECUTIVE OFFICERS

As stipulated in Article 8 and Article 9 of the above mentioned Bank Indonesia Regulation, parties awarded a failing grade and parties awarded a qualified passing grade but notwithstanding are unable to comply with the requested conditions shall:

- A. in the case of Management and Executive Officers, resign immediately from positions of Bank Management and Executive Officers;
- B. in the case of Controlling Shareholders, relinquish ownership in whole or in part so that not more than 10% (ten percent) remains after a period of not more than 1 (one) year.

In respect of the above letter A, the procedure for resignation of the Management concerned and the follow up measures to be taken in the management of the Bank are stipulated as follows:

1. Resignation from Management

- a. In the event that there are remaining members of the Management awarded a passing grade or qualified passing grade and who are deemed capable of managing the operations of the Bank in compliance with prevailing regulations:
 - 1) The shareholders shall immediately convene an Extraordinary General Meeting of Shareholders or Meeting of Cooperative Members within a period of not more than 30 (thirty) days from the receipt of the notice from Bank Indonesia to ratify the resignation of the Management awarded a failing grade and Management awarded a qualified passing grade but unable to comply with the requested conditions, and appoint their replacements;
 - 2) In the case of Management awarded a failing grade and/or Management awarded a qualified passing grade and unable to comply with the requested conditions, unwilling to resign, and notwithstanding continues to perform his tasks until an Extraordinary General Meeting of Shareholders or Meeting of Cooperative Members, all actions taken by such party shall constitute the personal liability of the party concerned.
- b. In the event that no Management are awarded a passing grade or qualified passing grade or the among the remaining Bank Management a member is still deemed likely to harm the operations of the Bank in compliance with prevailing regulations, Bank Indonesia shall appoint caretaker management until an Extraordinary General Meeting of Shareholders or Meeting of Cooperative Members appoints a permanent replacement in compliance with prevailing regulations.

2. Resignation of Executive Officers

- a. Bank Management shall dismiss an Executive Officer within a period of not more than 15 (fifteen) days after the receipt of notice from Bank Indonesia.
- b. Report of dismissal of an Executive Officer as referred to in letter a shall be delivered by the Bank not later than 7 (seven) days after the implementation of the abovementioned dismissal and addressed as follows:
 - i. Directorate of Bank Supervision, Bank Indonesia, Jl. M.H. Thamrin No. 2, Jakarta 10110, for a Bank having its head office in the Jakarta-Bogor-Tangerang-Bekasi area; or
 - ii. local Bank Indonesia office for a Bank having its head office outside the Jakarta-Bogor-Tangerang-Bekasi area.

In respect of the provisions referred to in letter B, the Bank shall report the relinquishment of shares in excess of 10% (ten percent) by the Controlling Shareholder concerned to another party to Bank Indonesia at the addresses referred to in number 2 letter c not later than 7 (seven) days after relinquishment of such ownership. In addition to the reporting, transfer of ownership from a Controlling Shareholder to another party shall also be conducted in compliance with prevailing regulations concerning corporate affairs, among others the provisions concerning Purchase of Shares in Commercial Banks and provisions concerning Merger, Consolidation, and Acquisition of Commercial Banks.

III. CONCLUDING PROVISIONS

The provisions of this Circular Letter shall come into force on January 26, 2000.

For the public to be informed, it is ordered that this Circular Letter be promulgated in the State Gazette of the Republic of Indonesia.

Kindly be informed.

BANK INDONESIA

(signed)

IWAN R. PRAWIRANATA
Deputy Governor